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ATTORNEYS FOR DEBTOR SUPERIOR AIR PARTS, INC.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	
	§	Case No. 08-36705
	§	
SUPERIOR AIR PARTS, INC.,	§	Chapter 11
	§	
Debtor.	§	Preliminary Hearing: March 17, 2009
	§	1:15 p.m.
	§	

**DEBTOR'S RESPONSE TO VIRGIN RECORDS AMERICA, INC.'S MOTION
FOR RELIEF FROM THE STAY TO CONSUMMATE SETTLEMENT
OF SUIT WITH INSURANCE CARRIER**

TO: THE HONORABLE COURT:

Superior Air Parts, Inc., Debtor and Debtor-in-Possession ("Debtor") responds to the Motion for Relief from Stay to Consummate Settlement of Suit with Insurance Carrier filed by Virgin Records America, Inc. f/u/b/o National Union Fire Insurance Company ("Virgin Records") requesting relief to finalize and consummate a settlement in pending litigation and in support would respectfully show:

I.

JURISDICTION

1. On December 31, 2008, (the “Petition Date”), Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Bankruptcy Court”). The Debtor continues to operate its business and manage its properties and assets as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. An unsecured creditors committee has been appointed in the case.

2. The Bankruptcy Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion involves a core proceeding pursuant to 28 U.S.C. § 157(b).

3. Venue is proper with the Bankruptcy Court pursuant to 28 U.S.C. § 1408.

II. BACKGROUND

4. The Debtor is a Texas corporation with its offices and operating facilities located in Coppell, Dallas County, Texas. It is one of the largest suppliers of parts under Federal Aviation Administration’s (“FAA”) Parts Manufacturer Approval (“PMA”) regulations for piston engines. It provides Superior-brand parts for engines created by two primary original equipment manufacturers (“OEMs”), the Continental division of Teledyne, Inc. and the Lycoming division of Textron, Inc. Its customers are companies that perform maintenance and overhaul work in the general aviation industry. The Debtor is also an OEM for the (i) 180-horsepower Vantage Engine and (ii) Superior or owner-built XP-360 Engine for various aircraft companies.

5. On December 30, 2008, the Debtor entered into an asset purchase agreement (“APA”) with Avco Corporation (“Avco”), a wholly-owned subsidiary of

Textron, Inc, wherein Avco agreed to buy substantially all of the Debtor's assets, subject to adjustments for inventory reductions. One of the conditions of the purchase agreement was that the purchase be consummated through a Chapter 11 bankruptcy proceeding. This Chapter 11 case was filed to liquidate the assets of the Debtor and to obtain the highest and best price for creditors, either through the APA with Avco, or a public auction.

6. The Bankruptcy Court approved Superior's Expedited Motion to Approve Bid Procedures for Sale of Substantially All of Debtor's Assets Free and Clear of Liens (Docket No. 43). Under the bid procedures, the auction of the Superior's assets was held beginning on February 24, 2009 and continued on February 26, 2009. At the conclusion of the auction, the Debtor rejected the offers of two Qualified Bidders because neither was in the best interest of the Debtor's estate and its creditors.

III. **RESPONSE TO VIRGIN RECORDS' MOTION**

7. The Debtor has no objection to lifting the automatic stay to allow for the finalization and consummation of the settlement agreement described in Virgin Records' motion provided that the insurance carrier that issued the underlying policy assumes full financial responsibility for defending and indemnifying the Debtor. A further condition is that the settlement does not impose any costs against the Debtor and resolves any claims that Virgin Records, and the other parties to the litigation may assert against the Debtor.

8. Superior's non-opposition is also conditioned upon the settlement agreement being approved by the Bankruptcy Court.

WHEREFORE, the Superior Air Parts, Inc. requests the Court grant it the relief requested in this response and for such other and further relief as is just.

Dated: March 4, 2009.

Respectfully submitted,

/s/ Robert P. Franke

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CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing pleading were served on the parties listed below and on the attached service list by filing the Response via the Court's electronic noticing system (ECF) to the parties receiving notice via ECF or first class U.S. Mail, postage prepaid, on the 4th day of March, 2009.

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